

AMENDED IN SENATE AUGUST 17, 2004

AMENDED IN SENATE AUGUST 9, 2004

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AMENDED IN SENATE JULY 6, 2004

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CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

## ASSEMBLY BILL

**No. 2006**

**Introduced by Assembly Member Nunez**

February 13, 2004

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An act to add Chapter 2.4 (commencing with Section 400) to Part 1 of Division 1 of, to add ~~Section 743.2~~ *Sections 250, 454.05, and 1001.7* to, and to repeal Section 330 of, the Public Utilities Code, relating to ~~electricity~~ *public utilities*.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2006, as amended, Nunez. ~~Electrical restructuring; Reliable Electric Service Act of 2004; Public Utility Commission procedures.~~

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix just and reasonable rates and charges. Under existing law, a public utility has a duty to serve, including furnishing and maintaining adequate, efficient, just and

reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons and the public. The existing Public Utilities Act requires the commission, pursuant to electrical restructuring, to authorize direct transactions between electricity suppliers and retail end-use customers. However, other existing law suspends the right of retail end-use customers to acquire service from certain electricity suppliers after a period of time to be determined by the commission, until the Department of Water Resources no longer supplies electricity under that law.

~~This bill would require costs incurred by an electrical corporation to implement transactions on behalf of direct access customers to be recovered from those customers that, prior to adopting any settlement agreement that is contested by any party and involves a ratepayer obligation over \$10,000,000, the Public Utilities Commission hold a hearing to review the settlement and any alternative proposed by any party, to ensure that the proposed settlement achieves specified purposes.~~ The bill would require electrical corporations, commencing January 1, 2006, to *prepare and* file at least every 3 years, and for the commission to approve, a long-term integrated resource plan, as specified. The bill would provide for the recovery of initial capital investment made by an electrical corporation in generation resources specified, if the investment is found to be reasonable and is approved by the commission in the certificate of public convenience and necessity ~~proceedings~~, and the investment complies with the conditions specified by the commission in the certificate of public convenience and necessity ~~proceedings~~ at the time the investment is approved. The bill would also provide for the recovery of an electrical corporation's full cost of contracting for generation resources *with another entity, as specified*.

The bill would require the commission, by July 1, 2005, to prepare and submit to the Governor and the Legislature, a comprehensive plan to streamline the transmission siting process, and, *on or before December 31, 2005*, to submit a prescribed report concerning siting and authorization of upgrades, improvements, and additions to each electrical corporation's transmission system infrastructure. The bill would require the commission, in consultation with the Independent System Operator, to establish resource adequacy requirements to ensure *that adequate physical generating capacity is available*, dedicated to serve all load requirements, *is available* to meet peak demand plus



requisite planning and operating reserves, and would require the commission to implement and enforce these resource adequacy requirements in a nondiscriminatory manner on all load serving entities, excluding a local publicly owned electric utility, the State Water Project, and customer generation, as defined. The bill would require that the cost of meeting resource adequacy requirements, including the costs associated with system reliability and local area reliability found reasonable by the commission, be ~~equitably borne and~~ fully recoverable from all customers ~~of taking service from the electrical corporation on a nonbypassable basis at the time the commitment to incur the cost is made on a pro rata, fully compensatory basis.~~

~~The bill would require local publicly owned electric utilities to comply with resources adequacy standards established by the Western Energy Coordinating Council (WECC).~~

*The bill would require a majority vote of the commission membership at a public meeting in order to approve any change in rates or alteration of any utility classification, contract, practice, project, or rule that affects rates directly or indirectly or to approve the settlement of any judicial or administrative proceeding that would result in any of those consequences. The bill would require that, prior to approving an electrical corporation application for a certificate of convenience and necessity for the proposed construction of generation resources, the commission convene a proceeding at which any party may submit, and the commission shall consider, alternative proposals meeting specified criteria.*

Existing law states the intent of the Legislature and makes various findings and declarations with respect to electrical restructuring.

This bill would repeal that statement of intent and the legislative findings and declarations.

A violation of the Public Utilities Act or an order of the commission is a crime under existing law.

Because a violation of the bill's provisions would be a violation of the act, the bill would impose a state-mandated local program by creating new crimes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.



Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the  
2 following:
- 3 (a) An adequate and reliable supply of electricity is essential to  
4 the health, safety, and welfare of all California consumers.
- 5 (b) Safe, reliable, and affordable electric service is of utmost  
6 importance to the consumers of this state and its economy.
- 7 (c) Electrical corporations have an obligation to provide their  
8 customers with reliable electric service at just and reasonable rates.
- 9 (d) In order to provide safe, reliable, and affordable electric  
10 service to consumers, electrical corporations must provide needed  
11 resources, including cost-effective energy efficiency and other  
12 demand reduction measures, utility-owned and procured  
13 generation, new and repowered generation, cogeneration,  
14 renewable generation, transmission, distribution, and an  
15 adequately sized, well-trained workforce, in a manner that  
16 produces the best value for ratepayers at just and reasonable rates.
- 17 (e) In order to ensure that investments in resources are made in  
18 a manner that produces the best value for ratepayers, electrical  
19 corporations should prepare a long-term integrated resource plan  
20 for commission review and approval, that achieves a diversified  
21 portfolio of efficient, cost-effective, environmentally responsible  
22 supply and demand resources.
- 23 (f) In order to ensure that a long-term integrated resource plan  
24 will result in investments in physical generating capacity  
25 dedicated to serving all load requirements, that is available to meet  
26 peak demand and planning and operating reserves, at *or*  
27 *deliverable to* locations and at times as may be necessary to ensure  
28 local area reliability and system reliability, the commission shall  
29 adopt resource adequacy requirements that apply equally to all  
30 load serving entities.
- 31 (g) In order to ensure that the long-term integrated resource  
32 plan achieves a diversified portfolio of efficient, cost-effective,  
33 environmentally responsible, supply and demand resources,  
34 resource adequacy requirements shall be met first through



1 cost-effective energy efficiency and other demand reduction  
2 measures.

3 (h) In order to attract sufficient capital to make investments in  
4 needed resources, there must be assurance that reasonable costs  
5 and investments, including a return of and on direct investments,  
6 and payments made to third parties under contract with an  
7 electrical corporation for non-utility-owned generation, are  
8 recoverable in rates.

9 (i) California consumers will not receive reliable and  
10 affordable electric service, nor will consumers avoid repetition of  
11 past problems with excessive wholesale electricity prices, rolling  
12 blackouts, and long-term supply contracts that threaten consumers  
13 with billions of dollars in above-market electricity costs, unless a  
14 durable framework is enacted to provide regulatory certainty and  
15 market stability in support of investment in needed efficient,  
16 cost-effective, environmentally responsible resources at just and  
17 reasonable rates.

18 (j) Protecting the interests of consumers by ensuring that  
19 investments made to provide safe, reliable electric service are  
20 prudent and cost effective, should be the highest priority of  
21 California regulatory policy and action.

22 (k) The Public Utilities Commission has an obligation to  
23 provide an open regulatory forum where all persons affected by  
24 public utility service and rates or otherwise affected by decisions  
25 made by the commission, can observe and participate in the  
26 decisionmaking process.

27 *SEC. 1.5. Section 250 is added to the Public Utilities Code, to*  
28 *read:*

29 *250. Prior to adopting any settlement agreement that is*  
30 *contested by any party and that involves a ratepayer obligation of*  
31 *greater than ten million dollars (\$10,000,000), in addition to any*  
32 *other requirement applicable to settlements, the commission shall*  
33 *not approve the settlement before it has held a hearing to review*  
34 *the settlement and any alternative proposed by any party, in order*  
35 *to ensure that the proposed settlement agreement resolves the*  
36 *dispute at the lowest reasonable cost to ratepayers, while*  
37 *balancing other public interest objectives, including protection of*  
38 *public health and safety, promotion of a sound economy,*  
39 *conservation of resources, preservation of environmental quality,*  
40 *and promotion of adequate, just, and reasonable service.*

1 SEC. 2. Section 330 of the Public Utilities Code is repealed.

2 SEC. 3. Chapter 2.4 (commencing with Section 400) is added  
3 to Part 1 of Division 1 of the Public Utilities Code, to read:

4  
5 CHAPTER 2.4. RELIABLE ELECTRIC SERVICE ACT OF 2004

6  
7 400. This chapter shall be known, and may be cited, as the  
8 Reliable Electric Service Act of 2004.

9 400.1. (a) An electrical corporation has an obligation to, and  
10 shall, plan for and provide its customers with reliable electric  
11 service at just and reasonable rates, pursuant to Section 451,  
12 including those customers that ~~purchase~~ *take* standby service from  
13 the electrical corporation *on a commission-approved rate*  
14 *schedule*.

15 (b) For purposes of this chapter, “electric service” includes  
16 providing adequate and efficient resources, including  
17 cost-effective energy efficiency and other demand reduction  
18 resources, utility-owned and procured generation resources, such  
19 as new and repowered generation resources, cogeneration, and  
20 renewable generation resources, transmission and distribution  
21 resources, metering, billing, and employing an adequately sized,  
22 well-trained utility workforce, *including contracting for*  
23 *maintenance of generation facilities*.

24 (c) Notwithstanding subdivisions (a) and (b), an electrical  
25 corporation has no obligation to plan for or procure, ~~or to bill or~~  
26 ~~meter~~ electricity or meet resource adequacy requirements for any  
27 customer that ~~elects to enter~~ *has entered* into a direct transaction.  
28 ~~Costs incurred by the electrical corporation to implement direct~~  
29 ~~transactions on behalf of direct access customers, shall be~~  
30 ~~recovered from those direct access customers.~~

31 400.5. (a) To ensure that adequate investments are made in  
32 resources necessary to provide customers with reliable electric  
33 service, the commission shall authorize an electrical corporation  
34 to provide efficient, cost-effective resources, including  
35 cost-effective energy efficiency and demand reduction resources,  
36 utility-owned and procured generation resources, which may  
37 include, among other resources, new and repowered generation  
38 resources, cogeneration, and renewable generation resources,  
39 consistent with the electrical corporation’s *long-term integrated*

1 *resource plan approved pursuant to Section 400.11 and its*  
2 *procurement plan adopted pursuant to Section 454.5.*

3 (b) The commission shall, after public hearing, approve and  
4 thereafter maintain just and reasonable rates sufficient to ensure  
5 that the electrical corporation fully recovers both of the following:

6 (1) The electrical corporation's initial capital investment in  
7 generation resources specified, found reasonable, and approved by  
8 ~~the commission~~ in the certificate of public convenience and  
9 necessity ~~proceedings~~, if the investment complies with the  
10 conditions specified by the commission in the certificate of public  
11 convenience and necessity ~~proceedings~~ at the time the investment  
12 is approved.

13 (2) The electrical corporation's full cost of contracting for  
14 generation resources with another entity ~~in accordance with found~~  
15 *reasonable pursuant to* Sections 454.5 and Article 16  
16 (commencing with Section 399.11) of Chapter 2.3, ~~including the~~  
17 ~~reasonable costs for~~ *taking into account* any collateral  
18 requirements and debt equivalence *associated with the contract*,  
19 in a manner determined by the commission to provide the best  
20 value to ratepayers.

21 (c) Nothing in this chapter alters the requirements of Section  
22 451, 454.5, 455.5, 463, or 1005.5.

23 (d) It is the intent of the Legislature in enacting this section to  
24 reaffirm California's traditional regulatory ~~compact doctrine~~,  
25 under which an electrical corporation has the obligation to provide  
26 reliable electric service at just and reasonable rates, and the  
27 commission ensures that the electrical corporation is afforded the  
28 means to carry out this obligation, specifically including a  
29 reasonable opportunity to fully recover from all customers of the  
30 electrical corporation, in a manner determined by the commission  
31 pursuant to this code, a return of, and a reasonable return on,  
32 reasonable investments in utility-owned generation, transmission,  
33 and distribution resources that are necessary to meet the utility's  
34 obligation, the utility's reasonable costs to operate and maintain  
35 those resources, and the utility's reasonable costs for nonutility  
36 generation resources procured in accordance with Section 454.5  
37 and Article 16 (commencing with Section 399.11).

38 400.10. (a) To ensure that adequate investments necessary to  
39 meet the electrical corporation's obligation to provide reliable  
40 electric service are made, every electrical corporation shall,



1 commencing on January 1, 2006, and at least every three years  
2 thereafter, prepare *and file with the commission* a long-term  
3 integrated resource plan.

4 (b) The long-term integrated resource plan shall accomplish all  
5 of the following:

6 (1) Ensure that adequate resources are identified to serve the  
7 utility's customers reliably.

8 (2) Provide for investments in, or procurement of, resources  
9 proposed pursuant to Section 454.5 and Article 16 (commencing  
10 with Section 399.11).

11 (3) Be consistent with Section 701.1 and Chapter 4  
12 (commencing with Section 25300) of Division 15 of the Public  
13 Resources Code.

14 (4) Achieve a diversified portfolio of efficient, cost-effective,  
15 and environmentally responsible supply and demand resources to  
16 serve the utility's customers.

17 (5) Provide for funding of all practicable and cost-effective  
18 energy efficiency and load management resources.

19 (6) Provide for investments in, or procurement of, necessary  
20 generation resources, and may include extensions, renewals, or  
21 renegotiations of contracts for existing generation resources, new  
22 or repowered generation, and cogeneration projects.

23 (7) Provide that an electrical corporation meets resource  
24 adequacy requirements established by the commission pursuant to  
25 Section 400.22, for the electric load served by the electrical  
26 corporation. For purposes of this chapter, ~~"electric load served by~~  
27 ~~the electrical corporation"~~ *does not include the electrical load of*  
28 *the electrical corporation, including load served under a standby*  
29 *tariff," does not include the electrical load of* customers who have  
30 entered into a direct transaction.

31 (8) Include demand and supply forecasts for 5- and 10-year  
32 periods. The demand forecasts shall reflect all energy efficiency  
33 and load management programs approved by the commission.

34 (c) The long-term integrated resource plan may provide for  
35 investments in distributed generation that would improve  
36 electrical system reliability, thereby deferring or eliminating  
37 investments in distribution facilities that would otherwise be  
38 needed to improve system reliability, by either direct investment  
39 by the electrical corporation or under contract with a retail  
40 customer or a third party, if the commission finds that the



investment in distributed generation would accomplish ~~each~~ *both* of the following:

(1) Result in overall cost savings for ratepayers due to deferral or elimination of electric distribution projects.

(2) Provide the required reliability and operational characteristics to support adequate service reliability to customers in the affected area.

~~(3)~~

(d) If the distributed generation is provided under contract with a retail customer or a third party to reduce distribution system loads, the retail customer or third party shall maintain physical assurance that the contracted load reduction will be available during all required time periods.

400.11. The commission shall, after public hearing, review and approve a long-term integrated resource plan for every electrical corporation, including those revisions to the plan that the commission determines are necessary to meet the requirements of Section 400.10 and achieve best value for utility customers.

400.15. In accordance with an electrical corporation's long-term integrated resource plan approved pursuant to Section 400.11, and consistent with Sections 454.5 and 701.1 and Article 16 (commencing with Section 399.11), to meet resource adequacy requirements, each electrical corporation shall manage a diversified, efficient, cost-effective, environmentally responsible portfolio of non-utility-owned generation under contract with the utility, and utility-owned generation, combining the potential benefits of a competitive wholesale market, including operating efficiencies and lower prices, with the stability of cost-based generation resources, to achieve best value for ratepayers at just and reasonable rates.

400.18. (a) The commission shall, on or before July 1, 2005, prepare and submit to the Governor and the Legislature, a comprehensive plan to streamline the transmission siting process. The plan shall, at a minimum, include recommendations to eliminate regulatory overlap and duplication, and recommendations to reduce the time needed to process a request for transmission improvements. The commission shall consult with the State Energy Resources Conservation and Development Commission, the Independent System Operator, electrical

1 corporations, and interested parties in the development and  
2 preparation of the plan.

3 (b) On or before December 31, 2005, the commission shall  
4 prepare and transmit a report to the Legislature summarizing the  
5 status of proceedings for each site for authorization of construction  
6 of all upgrades, improvements, or additions to the transmission  
7 system infrastructure determined by the electrical corporation to  
8 be necessary to ensure reliability and for which the electrical  
9 corporation has filed an application for a certificate of public  
10 convenience and necessity. The report shall include action that the  
11 commission has taken or proposes to take to facilitate the siting and  
12 authorization of those facilities and the schedule for completion in  
13 order to address the reliability needs identified by the electrical  
14 corporation. To the extent that the commission determines that the  
15 transmission upgrade, improvement, or addition is not needed, the  
16 commission shall identify the alternative it intends to pursue in  
17 order to ensure reliability. The commission shall annually update  
18 its report as part of its annual workplan.

19 400.22. (a) All electrical load serving entities, including  
20 nonutility electric service providers and community choice  
21 aggregators, shall be subject to the same requirements for resource  
22 adequacy, resource diversity, *cost-effective energy efficient*, and  
23 the renewable portfolio standard, that are applicable to electrical  
24 corporations pursuant to this section, or otherwise as required by  
25 law, or by order or decision of the commission.

26 (b) The commission, in consultation with the Independent  
27 System Operator, shall establish resource adequacy requirements  
28 to ensure that adequate physical generating capacity dedicated to  
29 serving all load requirements is available to meet peak demand and  
30 planning and operating reserves, at *or deliverable to* locations and  
31 at times as may be necessary to ensure local area reliability and  
32 system reliability, at just and reasonable rates.

33 (c) The commission shall implement and enforce these  
34 resource adequacy requirements in a nondiscriminatory manner  
35 on all load serving entities. The electrical corporation's costs of  
36 meeting those resource adequacy requirements, including the  
37 costs associated with system reliability found reasonable by the  
38 commission and local area reliability, shall be ~~equitably borne by~~  
39 ~~and fully recoverable from all customers of the electrical~~  
40 ~~corporation on a pro rata, fully compensatory basis, that cannot be~~

1 ~~bypassed, pursuant to rates that~~ *customers taking service from the*  
2 *electrical corporation on a nonbypassable basis at the time the*  
3 *commitment to incur the cost is made, pursuant to rates that are*  
4 *just and reasonable, as determined by the commission.*

5 ~~(e)–~~

6 (d) Resource adequacy requirements established by the  
7 commission shall provide for, and ensure, all of the following:

8 (1) System-wide and local area grid reliability.

9 (2) Adequate physical generating capacity dedicated to serve  
10 all load requirements, including planning and operating reserves,  
11 where and when it is needed.

12 (3) Adequate and timely investment in new generating capacity  
13 to meet future load requirements, including planning and  
14 operating reserves.

15 (4) Market power mitigation.

16 (5) Deliverability.

17 (6) ~~In order sufficiently far in advance,~~ to ensure that new  
18 resources can be constructed if necessary to meet the need,  
19 resource commitments by load serving entities shall be made  
20 sufficiently far in advance, and no less than three years in advance  
21 of need.

22 ~~(f)–~~

23 (e) Load serving entities may procure physical generating  
24 capacity through a market-based mechanism, provided that the  
25 commission, after a hearing, determines that there is convincing  
26 factual evidence that the mechanism will achieve all of the  
27 following:

28 (1) Adequate physical generating capacity dedicated to serve  
29 all load requirements when and where the electricity is needed,  
30 including planning and operating reserves to ensure local area  
31 reliability and system reliability.

32 (2) Adequate and timely investment in new generating capacity  
33 to meet future load requirements, including planning and  
34 operating reserves.

35 (3) Electricity that is purchased through the market is  
36 deliverable to the load for which it is purchased.

37 (4) Reliability of the electrical grid is not impaired.

38 (5) A prospective market monitoring process and market  
39 power mitigation measures are in place that are sufficient to ensure  
40 a well-functioning wholesale electricity market.

1 ~~(g)~~—

2 (f) The commission shall adopt rules and regulations necessary  
3 to enforce resource adequacy requirements established pursuant to  
4 this section uniformly among all load serving entities, including  
5 establishing a uniform accounting mechanism to identify, count,  
6 track, and verify all capacity needed to meet these resource  
7 adequacy requirements for each load serving entity. Pursuant to its  
8 authority to revoke or suspend registration pursuant to Section  
9 394.25, the commission shall suspend the registration for a  
10 specified period, or revoke the registration, of an electric service  
11 provider that fails to comply with the rules and regulations adopted  
12 by the commission to enforce resource adequacy requirements.

13 ~~(h)~~—

14 (g) For purposes of this chapter, “load serving entity” does not  
15 include a local publicly owned electric utility as defined in Section  
16 9604, the State Water Resources Development System commonly  
17 known as the State Water Project, or customer generation. ~~For~~  
18 ~~purposes of this subdivision, “customer generation” means~~  
19 ~~cogeneration, renewable technologies, or any other type of~~  
20 ~~generation that is dedicated wholly or in part to serve a specific~~  
21 ~~customer’s load and that relies on nonutility or dedicated utility~~  
22 ~~distribution wires, rather than the utility grid, to serve the~~  
23 ~~customer, the customer’s affiliates, or the customer’s tenants, or~~  
24 ~~not more than two other persons or corporations. Those two~~  
25 ~~persons or corporations must be located onsite or adjacent to the~~  
26 ~~real property on which the generator is located. “Customer~~  
27 ~~generation” includes distributed energy resources as defined in~~  
28 ~~Section 353.1 and ultraclean and low emission distributed~~  
29 ~~generation as defined in Section 353.2.~~

30 (i) ~~Local publicly owned electric utilities, as defined in Section~~  
31 ~~9604, shall comply with resources adequacy standards established~~  
32 ~~by the Western Energy Coordinating Council (WECC). if the~~  
33 ~~customer generation (1) takes standby service from the electrical~~  
34 ~~corporation on a commission-approved rate schedule that~~  
35 ~~requires the customer’s load serving entity to provide for adequate~~  
36 ~~backup planning and operating reserves for that customer~~  
37 ~~generation or (2) is not physically interconnected to the~~  
38 ~~transmission grid, so that if the customer generation fails, backup~~  
39 ~~power is not supplied from the electricity grid.~~

400.30. To ensure that the utility's obligation to provide customers with reliable electric service at just and reasonable rates is met by an electrical corporation, the commission shall adopt rules and regulations consistent with the policies and provisions of this chapter.

400.40. Nothing in this chapter shall alter or affect any outcome of a competitive procurement process conducted by an electrical corporation pursuant to any other law, including Section 454.5, prior to January 1, 2005.

400.50. Nothing in this chapter shall alter or affect the implementation of the California Renewables Portfolio Standard Program pursuant to Article 16 (commencing with Section 399.11).

400.60. (a) Nothing in this chapter limits the ability of any customer to participate in a Community Choice Aggregation program pursuant to Section 366.2.

(b) In designating the earliest possible date for implementation of a community choice aggregation program, the commission shall ensure that there will be no cost-shifting or stranding of investments made pursuant to a long-term integrated resource plan of the electrical corporation that has been approved by the commission pursuant to Section 400.11. In considering approval of the electrical corporation's long-term integrated resource plan, the commission shall also ensure that the plan includes a reasonable estimate of the customer load departure through community choice aggregation, as such estimate is provided for by a community choice aggregator pursuant to Section 366.2.

400.70. On or before ~~September 1, 2005~~ *June 30, 2006*, the commission shall prepare and submit to the Legislature a report describing the extent to which existing rate allocations for each customer class reflect cost of service *and describing how the continuing costs resulting from the energy crisis of 2000-01, including, but not limited to, bond charges and above-market contract costs incurred by the Department of Water Resources, are being recovered from each customer class.*

~~SEC. 4. Section 743.2 is added to the Public Utilities Code, to read:~~

~~743.2. (a) It is the intent of the legislature in enacting this section that the commission recognize the potential competitive~~

~~disadvantage experienced by large manufacturing customers of electricity.~~

~~(b) The commission may order an electrical corporation to file tariffs that offer discounted rates for large manufacturing customers of electricity if the commission determines those customers face a competitive disadvantage with regard to electricity rates for similarly situated users in other states.~~

~~SEC. 5.—~~

*SEC. 4. Section 454.05 is added to the Public Utilities Code, to read:*

*454.05. Every decision of the commission pursuant to Section 454 that approves a change in rates or an alteration of any utility classification, contract, practice, project, or rule that affects rates directly or indirectly pursuant to Section 454, or the settlement of any judicial or administrative proceeding to which the commission is a party and that results in a change in rates or a change in a utility classification, contract, practice, project, or rule that affects rates directly or indirectly, shall be made by vote of a majority of the commission membership in a public meeting of the commission. A decision made in violation of this section is void.*

*SEC. 5. Section 1001.7 is added to the Public Utilities Code, to read:*

*1001.7. Prior to approving a certificate of public convenience and necessity for generation resources proposed to be constructed by an applicant electrical corporation, the commission shall do both of the following:*

*(a) Convene a proceeding in which any other party may submit a proposal for construction of those generation resources if the proposal meets the same or higher standards for price and system reliability than the proposal of the applicant electrical corporation.*

*(b) Consider whether a proposal for an alternative generation resources project submitted pursuant to subdivision (a), other than the proposal of the applicant electrical corporation, would provide lower costs to ratepayers, better system reliability, and the same or superior environmental benefits.*

*SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or*

1 infraction, eliminates a crime or infraction, or changes the penalty  
2 for a crime or infraction, within the meaning of Section 17556 of  
3 the Government Code, or changes the definition of a crime within  
4 the meaning of Section 6 of Article XIII B of the California  
5 Constitution.

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